215/021 STATE OF SOUTH CAROLINA ) **BEFORE THE PUBLIC SERVICE COMMISSION** (Caption of Case) OF SOUTH CAROLINA Happy Rabbit, LP on behalf of Windridge **COVER SHEET** Townhomes, Complainant, DOCKET NUMBER: 2008 ٧. 360 S Alpine Utilities, Inc., Defendant. (Please type or print) SC Bar Number: 68269 Submitted by: Benjamin P. Mustian, Esquire **Telephone:** 252-3300 Address: Post Office Box 8416 Fax: 771-2410 Columbia, SC 29202 Other: Email: bmustian@willoughbyhoefer.com NOTE: The cover sheet and information contained herein neither replaces nor supplements the filing and service of pleadings or other papers as required by law. This form is required for use by the Public Service Commission of South Carolina for the purpose of docketing and must be filled out completely. **DOCKETING INFORMATION** (Check all that apply) Request for item to be placed on Commission's Agenda **Emergency Relief demanded in petition** expeditiously **X** Other: NATURE OF ACTION (Check all that apply) INDUSTRY (Check one) Request Electric ☐Affidavit Letter Request for Certification ☐ Electric/Gas Agreement Memorandum Request for Investigation Electric/Telecommunications Answer ☐ Motion Resale Agreement ☐ Objection ☐ Electric/Water Appellate Review Electric/Water/Telecom. Application Petition Resale Amendment Reservation Letter Electric/Water/Sewer Brief Petition for Reconsideration Gas Certificate Petition for Rulemaking Response Response to Discovery Petition for Rule to Show Cause Railroad Comments Return to Petition Petition to Intervene Complaint Complaint **⋉** Sewer Telecommunications Consent Order Petition to Intervene Out of Time **Stipulation** Prefiled Testimony Subpoena ☐ Transportation Discovery Tariff ☐ Water Exhibit Promotion ☐ Water/Sewer Expedited Consideration Proposed Order Other: Administrative Matter Interconnection Agreement Protest Interconnection Amendment Publisher's Affidavit Other: ☐ Late-Filed Exhibit Report **Print Form** Reset Form

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March 6, 2009

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#### VIA HAND-DELIVERY

The Honorable Charles L.A. Terreni Chief Clerk/Administrator **Public Service Commission of South Carolina** 101 Executive Center Drive Columbia, South Carolina 29210

RE: Happy Rabbit, LP on behalf of Windridge Townhomes v. Alpine Utilities, Inc.;

Docket No. 2008-360-S

Dear Mr. Terreni:

Enclosed for filing on behalf of Alpine Utilities, Inc. are the original and twenty-five (25) copies of the Surrebuttal Testimony of Robin Dial in the above-referenced matter.

By copy of this letter, I am serving a copy of these documents upon the parties of record to this proceeding and enclose a Certificate of Service to that effect. I would appreciate your acknowledging receipt of this Testimony by date-stamping the extra copy that is enclosed and returning the same to me via our courier.

If you have any questions, or if you need any additional information, please do not hesitate to contact me.

Sincerely,

WILLOUGHBY & HOEFER, P.A.

Benjamin P. Mustian

BPM/cf Enclosures

cc: Nanette S. Edwards, Esquire (via first class mail)

Richard L. Whitt, Esquire (via hand delivery)

### **BEFORE**

### THE PUBLIC SERVICE COMMISSION OF

### **SOUTH CAROLINA**

### **DOCKET NO. 2008-360-S**

IN RE:

Happ	by Rabbit, LP on behalf of Windridge, ) Townhomes, )	CHIDDEDLITTAL TECTIMONY OF			
	Complainant )	) SURREBUTTAL TESTIMONY OF ROBIN DIAL			
	v. )				
Alpir	ne Utilities, Inc.,				
	Defendant.				
Q.	ARE YOU THE SAME ROBIN	DIAL THAT HAS PREFILED DIRECT			
	TESTIMONY IN THIS CASE?				
A.	Yes, I am.				
Q.	WHAT IS THE PURPOSE OF YOU	UR SURREBUTTAL TESTIMONY IN THIS			
	PROCEEDING, MR. DIAL?				
A.	The purpose of my surrebuttal testimony is to respond to the rebuttal testimony filed				
	by Mr. James C. Cook on behalf of Happy Rabbit in this proceeding. Specifically, I will				
	address Mr. Cook's statements regarding	g the agreement by which Alpine provides sewer			
	service to Windridge Townhomes, his	assertions as to Alpine's obligations to establish			

service with the individual tenants of Windridge Townhomes and his suggestions concerning how such service might be accomplished.

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DO YOU AGREE WITH MR. COOK'S TESTIMONY THAT CAROLYN COOK,
AND THEN HAPPY RABBIT, DID NOT BECOME SUCCESSORS OR ASSIGNS OF
THE AGREEMENT BETWEEN TFB CONSTRUCTION OR COMPLEX LIMITED
PARTNERSHIP?

A. No, I do not. First, I would simply reiterate my direct testimony that the agreement between Alpine and TFB Construction, Inc. on behalf of Complex Partnership specifically provides that the agreement "shall enure (sic) to the benefit of the successors and assigns of the respective parties [thereto]." I believe it is manifestly clear that first Mrs. Cook, and then Happy Rabbit, as subsequent owners of Windridge Townhomes, are successors and assigns of Alpine's agreement with TFB Construction inasmuch as that agreement dictated the terms under which Alpine would provide service to the development. Furthermore, both Mrs. Cook and Happy Rabbit have enjoyed the use of and received the benefit of these services provided in connection with that agreement. Mr. Cook's statement that Mrs. Cook and Happy Rabbit are not successors or assigns to that agreement would suggest that Alpine is under no obligation to continue to provide wastewater service to the property and that it might disconnect service at any time. Such a possibility is obviously incorrect. To the contrary, Alpine detrimentally relied upon the agreement when it extended its facilities to the development and has, in good faith, discharged its obligations arising under that contract since its execution. Furthermore, the actions of Mrs. Cook and Happy Rabbit since their

ownership of the property demonstrate their compliance with the terms and conditions of the agreement for many years. To imply that the agreement terminated when the complex was sold to Mrs. Cook and Happy Rabbit is inconsistent with their actions in this regard.

Q.

### ARE YOU AWARE OF MR. COOK'S INTERPRETATION OF SECTION 27-33-50?

A. Yes, I am, although I continue to disagree with his explanation of the Section's requirements.

A.

### Q. COULD YOU EXPLAIN WHY YOU DO NOT AGREE WITH MR. COOK'S INTERPRETATION?

Mr. Cook states that "the whole point of [Happy Rabbit's] complaint is that Alpine refuses to establish the required customer relationship with the tenants provided under Section 27-33-50." (emphasis in original deleted). I would first point out that nowhere in Section 27-33-50 is there a requirement that a sewer utility establish a customer relationship with tenants. Further, Mr. Cook ignores the fact that Section 27-33-50(A) states, in part, that "a landlord is not liable for a tenant's account." Because this language was included in Section 27-33-50, the only logical interpretation of this section is that its terms are only applicable when a **tenant** is the customer and has an **account** with the utility. Here, the Windridge Townhomes tenants are neither customers nor accountholders of Alpine, which Happy Rabbit has admitted. To the contrary, Happy Rabbit has admitted that it is Alpine's customer. Therefore, it is impossible for Alpine to require Happy Rabbit to be responsible for accounts that do not exist. Rather, Alpine is requiring Happy Rabbit to be responsible for its

own account as a customer of the utility.

Additionally, as pointed out by Mr. Cook, the clear language of the statute in Section 27-33-50(B) states that a utility cannot require a landlord to **execute an agreement** to be responsible for sewer charges billed to premises leased by a tenant and cannot discontinue services based on the fact that the landlord refused to execute an agreement to be responsible for all of the charges billed to the tenants leasing that premises. This Section further supports my interpretation inasmuch as it contemplates the situation where charges are being billed "to the tenant." Again, the Windridge Townhomes tenants are not, and never have been, customers of Alpine and, therefore, no charges are billed to them.

Furthermore, Alpine has not discontinued services to Windridge Townhomes as prohibited by Section 27-33-50. Similarly, Alpine has not required, and Happy Rabbit has not asserted, that Alpine has ever **required** it to execute an agreement to be responsible for these charges. Rather, the agreement by which Alpine provides sewer service to the property was voluntarily entered into by the original developer over twenty-five years ago – well before the enactment of Section 27-33-50 in 2002. Alpine believes that Mrs. Cook and Happy Rabbit are successors and assigns to that agreement – a fact which is supported by their conformance to its terms for over nine years and their failure to ever request that Alpine provide service in accordance with any different terms or conditions. However, even if the statute does prohibit the type of arrangement that exists between Alpine and Happy Rabbit, the application of the statute was clearly not made retroactive and the agreement which was executed in 1984 would still be of force and effect. Nevertheless, as I stated in my direct testimony, Mrs. Cook, who is now a general partner of Happy Rabbit, applied for service

with Alpine in 1999 and has since continued and acknowledged the development owner's customer relationship with Alpine and their acquiescence in being responsible for the sewer charges to the entire development.

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# Q. DO YOU HAVE ANY COMMENTS WITH RESPECT TO MR. COOK'S SUGGESTION THAT ALPINE SHOULD BE REQUIRED TO ENTER INTO AN AGREEMENT WITH THE CITY OF COLUMBIA?

Yes. Mr. Cook suggests that, in order for Alpine to individually serve the tenants of Windridge, that Alpine should enter into an agreement with the City of Columbia to "join' the water and sewer bills together, so that the water could be disconnected to effectively disconnect the sewer services without physical intervention to the line." I would initially respond to this suggestion by stating that such an arrangement, even if agreeable to Alpine and the City of Columbia ("City"), would not be feasible. If the water and sewer bills were combined, the City would have to assume responsibility for the billing and collection of sewer charges from Alpine's tenants. Therefore, any charges for Alpine's sewer service would be the responsibility of a separate entity that is not regulated by the Commission. Furthermore, Alpine would certainly have to remunerate the City for these service, the cost of which would necessarily be passed through to all of Alpine's customers. Additionally, because the Commission does not have jurisdiction over municipal utilities, in the event a tenant contested its sewer bill charged by the City, Alpine and ORS would be unable to properly investigate the matter and the Commission would be unable to bring any meaningful resolution in the event a formal complaint was filed for their review.

Alternatively, Alpine would be required to bill and charge the tenants for water service provided by the City. Even if the City agreed to such an arrangement, which is doubtful, such a methodology would necessarily result in increased costs due to the necessary accounting and billing interaction which Alpine would have to have with the third party utility. Additionally, Alpine would be required to assume the liability associated with billing for services provided by a municipal utility. These formidable issues demonstrate that requiring Alpine to go to such lengths simply to satisfy Happy Rabbit would be irrational. This is especially so considering Happy Rabbit, to suit its desire to require its tenants to establish customer accounts with Alpine, could simply install the facilities necessary for Alpine to serve the tenants directly. If such facilities are installed at no cost to Alpine so that sewer service may be provided in accordance with Commission regulations and once the tenants establish individual customer accounts, Alpine stands willing to serve the individual tenants as Mr. Cook describes.

Q.

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## COULD THE PROCESS MR. COOK ENVISIONS BE POSSIBLE IF THE CITY PROVIDED BOTH WATER AND SEWER SERVICE TO THE PROPERTY?

In my opinion, yes. If the City supplied bundled water and sewer services to the tenants of Windridge Townhomes, the City would have the ability to disconnect water service to a customer for nonpayment in the manner Mr. Cook suggests. If Happy Rabbit is able or willing to obtain service from the City of Columbia in this regard, Alpine is certainly willing to relinquish the Windridge Townhomes property as part of its service area.

# HAVE YOU CONSIDERED MR. COOK'S SUGGESTION THAT ALPINE COULD "CONTRACT WITH A SERVICING AGENT IN COLUMBIA TO SERVE WINDRIDGE TOWNHOMES THROUGH A 'MASTER METER' ARRANGEMENT AS IS DONE IN SEVERAL COLUMBIA APARTMENT COMPLEXES?

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I have read Mr. Cook's suggestion in this regard but I am not familiar with the arrangement he suggests. It is my understanding that master meters are generally used to meter water or wastewater flow between two sewer providers where one provides distribution or collection services and the other provides bulk supply or treatment services. As the Commission is aware, Alpine provides both collection and treatment services and, therefore, Mr. Cook's suggestion to install a master meter in this situation is inapt. Further, to the extent that Mr. Cook recommends that meters for sewer service could be installed to record each tenants use, I would initially respond that sewer meters are notoriously inaccurate and difficult to maintain. Further, because Alpine bills a flat rate for its sewer services, their installation to the Windridge Townhomes facilities would be meaningless. Even if such meters were installed, however, it will still be impossible to distinguish between services provided to two separate tenants living in a single duplex inasmuch as each duplex building is only served by one customer service pipe. The only reasonable way to properly serve an individual tenant would be to install additional customer service lines so that each tenant could be served individually and in accordance with the Commission regulations. Furthermore, because Alpine does not own or maintain the customer service pipes, the installation of any such facilities would necessarily be the responsibility of either Happy Rabbit or the individual tenants as I described in my direct testimony. Mr. Cook's

recommendations only demonstrate Alpine's inability to serve the individual tenants using the existing facilities.

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### Q. COULD YOU EXPLAIN THAT LAST STATEMENT?

Yes. Mr. Cook recommends various options which might be utilized to resolve the problem that individual tenants cannot properly be served by Alpine. Implicit in his testimony in this regard is that the current facilities owned by Happy Rabbit are insufficient to serve the tenants as Happy Rabbit so desires. Mr. Cook appears to recognize that some manner of additional facilities need to be installed before such an arrangement can be contemplated. However, Mr. Cook apparently hopes to avoid the significant cost of installing the necessary facilities to serve the tenants individually by shifting that burden onto Alpine by improperly applying Section 27-33-50 to these circumstances. As I stated previously, Alpine has not accepted the customer service pipes serving each duplex building and is not responsible for their operation; rather the owner of the development, which in this case is Happy Rabbit, is responsible for those facilities. If Happy Rabbit determines that the current facilities it owns are not adequate to serve the property in the manner it desires, then it is certainly free to install the necessary facilities at its own cost. Alpine reiterates its willingness to serve the Windridge Townhomes tenants individually as Happy Rabbit desires. but only if the necessary facilities are installed, at no cost to Alpine, and the tenants establish individual customer accounts with the Company so that Alpine might properly serve its customers in accordance with Commission regulations.

# WITH RESPECT TO MR. COOK'S ASSERTION THAT ALPINE IS OBLIGATED TO "INSTITUTE [SEWER] SERVICE TO INDIVIDUAL TENANTS," WHAT COMMENTS DO YOU HAVE?

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It is not incumbent upon Alpine to establish customer relationships with the Windridge Townhomes tenants. If Happy Rabbit no longer desires to be a customer of Alpine, it is free to terminate Alpine's service and require its tenants to individually establish accounts with Alpine. While Mr. Cook states that terminating service in this manner is "nonsensical," Mr. Cook affirmatively states that the tenants are themselves contractually obligated to Happy Rabbit to acquire utility services pursuant to their lease agreements. Mr. Cook opines that these provisions afford Alpine the right to individually establish service with each tenant and implies that any costs to be borne by the tenants is a burden that the tenants of Windridge Townhomes have "already contractually agreed to bear." By the same turn of the coin, these contractual provisions clearly would allow Happy Rabbit to enforce its own contractual rights and require the tenants to establish customer accounts with Alpine pursuant to its rate schedule and Commission regulation. However, Happy Rabbit has acknowledged in discovery that it has not notified its tenants that they are required to establish a customer account with Alpine pursuant to the terms of their lease agreements. Instead of enforcing its own rights and requiring the tenants to contact Alpine to establish service, Happy Rabbit is endeavoring to make Alpine assume that responsibility.

Mr. Cook states that Alpine has "forced" Happy Rabbit to be its customer. Such a statement is demonstrably incorrect. As I stated in my direct testimony, under Commission regulation 103-534.C, a customer must notify the utility orally or in writing that the customer

desires to terminate service and the utility is allowed a reasonable period of time after receiving notice to do so. Alpine has received no such notification. Despite Happy Rabbit's indication that such an option is objectionable, if Happy Rabbit desires to terminate its receipt of sewer services and cease being a customer of Alpine, Happy Rabbit is certainly free to do so. Furthermore, Alpine is willing to relinquish the Windridge Townhomes property as part of its service territory if Happy Rabbit is able to obtain bundled water and sewer service from the City of Columbia as I previously discussed. Therefore, it is clear that Alpine has not "forced" Happy Rabbit to be its customer and does not do so now.

In reality, the instant remedy sought by Mr. Cook is for Alpine to "force" the individual tenants to become customers. As I have discussed, I do not believe Alpine has the right or the responsibility to force these tenants to become customers – especially when they are not parties to this proceeding and have not been able to express their opinion to the Commission as to whether they would agree to such an arrangement. Additionally, such an arrangement would necessarily involve the installation of additional sewer facilities, either by Happy Rabbit or by the tenants, at what I believe would be a significant cost. Again, Alpine stands willing to serve the tenants individually once the proper facilities are installed and once the tenants establish individual customer accounts. I take note of Mr. Cook's testimony that "Happy Rabbit stands ready to cooperate" in this regard.

# Q. DO YOU HAVE ANY COMMENTS REGARDING MR. COOK'S STATEMENTS THAT HAPPY RABBIT'S TENANTS HAVE ALREADY CONTRACTUALLY AGREED TO BE RESPONSIBLE FOR ALL UTILITY SERVICES?

My response would simply be that if Happy Rabbit desires to enforce its agreements with its tenants, then Happy Rabbit can require the tenants to install the necessary facilities and to contact Alpine for the purposes of establishing individual sewer service. As I stated in my direct testimony, none of the tenants of Windridge Townhomes have ever contacted Alpine in this regard. It is apparent that Happy Rabbit would prefer that Alpine assume the responsibility to enforce Happy Rabbit's leasing agreements. This arrangement is clearly unacceptable to Alpine.

Q.

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A.

# WITH RESPECT TO MR. COOK'S TESTIMONY THAT HAPPY RABBIT STANDS WILLING TO COOPERATE TO IMPLEMENT SERVICE IN THE MANNER HE SO DESIRES, WHAT COMMENTS DO YOU HAVE?

As I have stated previously, the facilities owned by Happy Rabbit and currently serving Windridge Townhomes are insufficient to individually serve the tenants. If Happy Rabbit is willing to cooperate to implement the service arrangement for its tenants that it desires, Happy Rabbit will need to install the necessary facilities at its own cost so that Alpine may serve the property in accordance with Commission regulations and may properly protect its rights as a provider of wastewater utility services. The current facilities, for which Alpine does not have responsibility, are simply insufficient to serve the property in the manner Mr. Cook describes.

## Q. DO YOU HAVE ANY COMMENTS REGARDING MR. COOK'S COMPLAINT THAT ALPINE "UNLAWFULLY REQUIRES HAPPY RABBIT TO PAY A FULL

# MONTHLY SEWER CHARGE FOR ALL 46 TENANTS OF WINDRIDGE TOWNHOMES EVERY MONTH WHETHER THERE ARE TENANTS OCCUPYING ALL 46 UNITS OR NOT?"

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Yes. I would first note that Alpine's records do not reflect that Happy Rabbit has ever contacted Alpine with a request, either in its previous filings in this proceeding or otherwise, that Alpine reduce its charges to accommodate vacancies in the property owned by Happy Rabbit. Moreover, Mr. Cook apparently has a basic misunderstanding of utility services and facilities. Regardless of whether each unit is occupied or not, the system serving Windridge Townhomes and the surrounding area has to be designed to handle the maximum amount of gallon flow peaks, even if normal flow is much less. We cannot downsize our wastewater treatment plant because flows are low and then upsize the facilities to handle the flows during normal periods of use. We are required to meet those maximum flows at any time pursuant to Commission Regulation 103-553 which provides "[t]he capacity of the utility's plant for the collection, transmission, treatment and disposal of sewage, sewage effluent and other removed substances must be sufficiently large to meet all normal demands for service and provide a reasonable reserve for emergencies." Therefore, the utility is required to operate the system in a manner that will meet normal and emergency demand every day of the year. This causes Alpine to continue to incur expenses even if the flow of wastewater is diminished during certain periods. Additionally, because the facilities owned by Happy Rabbit do not contain the necessary facilities to disconnect individual units, it is likely Alpine would be unaware of when tenants occupied and vacated the units. In order to alleviate this concern, Happy Rabbit could install additional customer service lines

as I have described and also install elder valves so that service to each unit could be easily terminated once a tenant moves out.

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## WITH RESPECT TO MR. COOK'S TESTIMONY CONCERNING HAPPY RABBIT'S DELINQUENT BALANCE, DO YOU HAVE ANY COMMENTS?

Mr. Cook testified that Happy Rabbit is "technically" not delinquent and that it is withholding payment to Alpine because of concerns "about the future business viability of Alpine." I would first state that, despite Mr. Cook's explanation, Happy Rabbit has admittedly not paid Alpine for sewer services rendered to it since August 2008. Therefore, the simple fact remains that Happy Rabbit is delinquent on its account. Further, the purported basis for Happy Rabbit's withholding payment is disingenuous. Mr. Cook's comparison of Alpine, which has operated for years without incurring any regulatory fines or major infractions, to a utility which was fined \$4.3 million dollars after more than twenty years of violations, is simply misleading. Additionally, while the Central Midlands Council of Governments 208 plan does call for Alpine's system to be interconnected with a municipal sewer system, this plan has been in place since the late 1970's and there appears to be no interest in pursuing this plan in the near future. Finally, Mr. Cook's suggestion that Alpine's recent rate case will not preserve its financial integrity is incorrect and confusing, especially since Happy Rabbit, which was a party of record to that proceeding, executed a settlement agreement whereby it agreed that "that the rates contained in said rate schedule are reasonably designed to allow the Company to provide service to its sewer customers at rates and terms and conditions of service that are fair, just and reasonable and provides the

- 1 opportunity to recover a fair and reasonable level of revenue."
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- **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**
- 4 A. Yes, it does.

## BEFORE THE PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA DOCKET NO. 2008-360-S

Happy Rabbit, LP on behalf of Windridge, Townhomes,	)	200 200 200 200	5) C	
Complainant	)	CERTIFICATE OF SERVICE	5 5 .=	
v.	)	111	Φ	N. L.
Alpine Utilities, Inc.,	)			
Defendant.	)			

This is to certify that I have caused to be served this day one (1) copy of the Surrebuttal

Testimony of Robin Dial via hand delivery to the address below:

Richard L. Whitt, Esquire **Austin & Rogers, P.A.**508 Hampton Street, Suite 300

Columbia, SC 29211

I further certify that I have caused to be served one (1) copy of the above-referenced document by placing same in the care and custody of the United States Postal Service with first class postage affixed thereto and addressed as follows:

Nanette S. Edwards, Esquire
Office of Regulatory Staff
Post Office Box 11263
Columbia, South Carolina 29211

C. Onhu Coray

Andrew Dorsey

Columbia, South Carolina This 6<sup>th</sup> day of March, 2009.